



## Natural Gas Waste Rules March 2022 Status Update

### HOW WE GOT HERE

In 2021 after two years of stakeholder outreach, the Oil Conservation Division (OCD) of the New Mexico Energy, Minerals and Natural Resources Department finalized new natural gas waste rules for the state's oil and gas industry. The rules are the strongest in the nation. They require 98% gas capture by the end of 2026, prohibit routine venting and flaring, and apply to midstream and upstream operations. Now the important work of implementing these rules is well underway.

#### Timeline:

- **February 15, 2022:** 1st quarterly reports from oil and gas operators ("operators") due, contains data collected October through December 2021.
- **March 31, 2022:** End of agreed compliance order (ACO) extensions. This allowed additional time for operators to find solutions to pipeline capacity issues.
- **April 1, 2022:** Monthly data collection begins.
- **April 1, 2022:** Advanced leak and repair monitoring (ALARM) technologies can be utilized. ALARM is another way for operators to monitor leak detection to reduce methane waste.
- **May 15, 2022:** 2nd quarterly reports from operators due, contains data collected January through March 2022.
- **By May 31, 2022:** Baseline calculations for each operator are published. The baselines establish the gas capture amount that each operator is starting from and how much they need to increase gas capture each year to hit 98% gas capture by the end of 2026.

### COMPLIANCE

**Operators are required to file the following reports:**

- (Part 27) Oil and Gas Production Operations – oil and gas wells and associated facilities - As of March 2022, this includes 503 operators
- (Part 28) Natural Gas Midstream Operations – pipelines and gathering and boosting stations - As of March 2022, this includes 27 operators

**Operator Compliance with the First Quarter report that was due February 15, 2022:**

*Numbers as of March 4, 2022.*

#### Submissions:

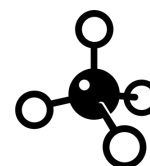
- Upstream (Part 27) in compliance at deadline - 254 of 503 (50%)
- Percentage of total gas production reported at deadline - 98.6% of all gas produced in the state covered by timely reports
- Percentage of wells submitting timely reports - 88% by well count
- Midstream (Part 28) in compliance - 25 of 27 operators (93%)

#### What the information tells us:

- The non-reporters seem to primarily be smaller operators producing lower volumes
- The larger operators have complied, indicating the guidance documents and stakeholder engagement was successful

#### Actions taken:

- The OCD sent over 400 notices of non-compliance to non-reporters 3 days after the required deadline on February 18th. The first round of notices precipitated an additional 150 filings from operators.
- On March 10th the OCD then sent an additional 250 notices of non-compliance to non-reporters. This list of non-reporting operators was published on OCD's compliance webpage, as well as a list of over 300 others that need further investigation.
  - This provides an opportunity for operators and the OCD to clean up reporting systems for better overall data management, enhancing the quality of publicly available data.





## Energy, Minerals and Natural Resources Department

### Why do we still see flares?

- **When is flaring prohibited?**
  - The rules prohibit ***routine*** venting and flaring of natural gas due to lack of pipeline capacity. This occurs when an operator starts producing a well before there is a pipeline in place to take the natural gas.
- **While the rules prohibit *routine* flaring they do not prohibit all flaring of natural gas. There are limited well-defined, operational reasons under the rule where flaring is allowed. Valid reasons for flaring:**
  - During the drilling process because the well isn't configured to capture gas and the only gas flared is to mitigate safety concerns. This all occurs prior to the well being completed for production.
  - Limited and well-defined circumstances during completion.
  - During production for the following reasons:
    - Limited and well-defined equipment operation and circumstances when the gas can't be sold for quality reasons such as high hydrogen sulfide gas.
    - During emergencies and malfunctions. These require immediate action from the operator.
    - Exploratory wells in previously unexplored areas where a take-away pipeline is not available. These flaring events are limited in timeline and defined areas.
    - Special testing. These are limited and well defined.
- **Whatever the reason, ALL flaring and venting must be reported to the OCD, and therefore still counts against an operator's gas capture percentage. As the baseline is established and reporting continues, flaring and venting should be reduced as it all counts against the gas capture percentage for each operator.**

### Waste Rules Next Steps:

- EMNRD is creating a new online portal so the public can more easily access reported data.
- EMNRD is also creating a new GIS mapping and data visualization webpage.
- ALARM technologies are being reviewed and discussed for final approval. As of March 2022, 5 applications have been received.

### Contact Information:

- For members of the public or operators who have questions regarding rule implementation, please contact OCD at [EMNRD.WasteRule@state.nm.us](mailto:EMNRD.WasteRule@state.nm.us).
- If you have any immediate compliance concerns, contact [OCD.Enviro@state.nm.us](mailto:OCD.Enviro@state.nm.us) or call 505-476-3441.